

**Statement of  
Colonel Patrick O'Donnell  
Commander, Defense Reutilization and Marketing Service  
Defense Logistics Agency  
Hearing before the National Security, Emerging Threats, and  
International Relations Subcommittee of the House Government Reform Committee  
June 7, 2005**

Mr. Chairman and distinguished Members of the Subcommittee, I am Colonel Patrick O'Donnell, Commander of the Defense Reutilization and Marketing Service of the Defense Logistics Agency. I appreciate this opportunity to address your concerns regarding the reutilization of DoD excess property and our efforts to improve inventory accountability and the efficient use of DoD assets.

DRMS is responsible for the execution of DoD policy on the reutilization, transfer, donation, sale, and environmentally compliant disposition of DoD excess property. DRMS supports U.S. forces worldwide, with personnel co-located with the military in Iraq, Kuwait, and Afghanistan. We are committed to being good stewards of the property under our control and to ensuring compliance with DoD policies, guidelines and standards.

We have implemented many initiatives that are at the forefront of reverse logistics. This includes processing demilitarization-required property at dedicated facilities to ensure proper disposition, using innovative processes for disposing of excess electronic equipment, and partnering with a private sector firm to sell property on a shared proceeds basis.

In the past year, DRMS has implemented specific improvements to enhance reuse of excess assets within the Department, including providing DoD customers additional on-line item information and pre-receipt item visibility so needed property can be redistributed quickly. We are working to ensure our systems and process improvements will become compatible and interactive with the Military Services.

The DoD reutilization system is trusted and regularly used by its Military Service customers, and DRMS' reutilization and property disposal program performance measures demonstrate the quality of service provided. In Fiscal Year 2004, DRMS returned over 160,000 line items with an acquisition value of approximately \$1.1 billion to DoD activities. Additionally, an April 2005, DLA Office of Operations Research and Resource Analysis study supports DRMS' analysis that its overall inventory shrinkage rate in Fiscal Year 2004 due to losses is well below 1%.

DRMS recognizes its reutilization and inventory accountability program can be improved. We are committed to correcting substandard performance and ensuring accountability, while strengthening management controls to minimize such issues in the future. DRMS' actions to improve these programs include:

- Issuing a contract for commercial assistance in assessing and improving inventory data accuracy and developing additional internal audit capabilities.
- Surveying significant generating activities to understand why property condition may be improperly classified, why local stock numbers are being used, and identifying barriers to using DRMS as a source of supply.

- Meeting with DLA Supply Centers to discuss constraints they face in using DRMS as a source of supply and to develop program metrics and goals.

DRMS is working with Headquarters DLA to outline additional management controls and metrics to ensure proper inventory accountability and to synchronize the application of policy, oversight, education, training and program execution. We are also working to update our inventory accounting procedures, monitor inventory adjustments and losses, and reduce aging excess property inventory and backlogs. DRMS spent \$49 million in facility upgrades in Fiscal Years 2000-2004 and plans to spend an additional \$25 million in Fiscal Years 2005-2009.

Mr. Chairman and distinguished subcommittee Members, we recognize the issues noted in the GAO report and are taking appropriate measures to ensure they are corrected. DRMS stands ready to execute all policy and procedure changes that optimize the disposition of DoD excess property.

Thank you, Mr. Chairman